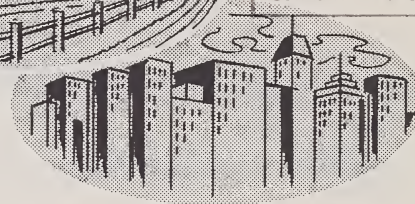
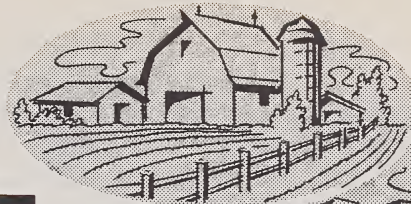


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DEMAND AND PRICE SITUATION



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MAY 1962

COMMODITY HIGHLIGHTS

GENERAL AGRICULTURAL SITUATION

FACTORS AFFECTING DEMAND FOR FARM PRODUCTS

CURRENT COMMODITY SITUATION

Published monthly by
ECONOMIC RESEARCH
SERVICE

U. S. DEPARTMENT OF
AGRICULTURE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1961		1962				
		Year	Apr.	Jan.	Feb.	Mar.	Apr.	
Industrial production, seasonally adj. <u>1/</u>	1957=100	109	106	114	115	116	117	
Final products	do.	112	109	116	117	118	119	
Consumer goods	do.	116	114	121	121	121	123	
Autos	do.	97	92	114	109	110	119	
Equipment, including defense	do.	104	100	108	110	111	112	
Materials	do.	106	103	111	113	114	115	
Construction: <u>2/ 3/</u>								
Total outlays	Mil. dol.	57,399	55,014	59,019	56,811	57,435	57,510	
Public construction	Mil. dol.	17,034	16,518	17,942	16,902	17,073	16,207	
Private residential	Mil. dol.	22,499	21,042	23,187	22,245	22,368	23,029	
Housing starts, private only	Thousands	1,304	1,166	1,273	1,152	1,434	1,542	
Manufacturers' sales and inventories: <u>2/</u>								
Total sales, seasonally adjusted	Mil. dol.	30,770	30,120	32,040	32,850	33,230		
Durable goods	Mil. dol.	14,560	14,140	15,500	15,950	16,280		
Unfilled orders-sales ratio <u>4/</u>		3.10	3.03	2.95	2.91	2.81		
Inventory-sales ratio, total <u>5/</u>		1.79	1.77	1.74	1.71	1.70		
Durable goods		2.16	2.13	2.06	2.02	1.99		
Employment and wages: <u>6/</u>								
Total civilian employment	Millions	66.8	65.7	65.1	65.8	66.3	66.8	
Nonagricultural	do.	61.3	60.7	60.6	61.2	61.5	61.9	
Unemployment	do.	4.8	5.0	4.7	4.5	4.4	3.9	
Workweek in manufacturing	Hours	39.8	39.3	39.7	40.0	40.3	40.4	
Hourly earnings in manufacturing	Dollars	2.32	2.31	2.39	2.38	2.38	2.39	
Income and spending:								
Personal income <u>2/ 3/</u>	Bil. dol.	416.7	409.8	430.1	433.3	435.9	438.7	
Consumer credit outstanding <u>1/</u>	Mil. dol.	57,139	53,756	56,278	55,592	55,680		
Automobile	Mil. dol.	16,960	16,877	16,878	16,900	17,039		
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	18,241	17,860	18,845	18,974	19,300	19,451	
Durable goods	Mil. dol.	5,626	5,409	5,930	5,986	6,223	6,354	
Inventory-sales ratio <u>5/</u>		1.47	1.47	1.43	1.42	1.39		
Prices: <u>6/</u>								
Wholesale prices, all commodities	1957=100	100	100	101	101	101	100	
Commodities other than farm and food	do.	101	101	101	101	101	100	
Farm products	do.	96	97	98	98	98	97	
Foods processed	do.	101	101	102	102	101	100	
Consumer price index, all items	do.	104	104	104	105	105		
Food	do.	103	103	102	103	103		
Prices received by farmers <u>7/</u>	1910=100	240	239	242	243	244	242	
Crops	do.	226	226	224	227	233	236	
Livestock and products	do.	251	251	256	257	254	246	
Prices paid, interest, taxes and wage rates <u>7/</u>	1910=100	301	302	304	305	305	306	
Family living items	do.	291	291	293	294	294	294	
Production items	do.	266	267	268	268	269	270	
Parity ratio <u>7/</u>		80	79	80	80	80	79	
Farm income and marketings: <u>7/</u>								
Volume of farm marketings	1947-49=100	135	97	144	102	102	99	
Cash receipts from farm marketings	Mil. dol.	34,755	2,137	3,105	2,229	2,244	2,100	

Annual data for most of the items for years 1929, 1941 and 1947-61 appear on page 34 of the April 1962 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.
4/ Unfilled orders for durables divided by monthly deliveries. 5/ Inventories, book value, end of month, divided by sales. 6/ U. S. Department of Labor. 7/ U. S. Department of Agriculture.

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T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, May 17, 1962

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SUMMARY

General business activity in the private sector of the economy improved some in April from first quarter levels and Government purchases continued upward. A sharp pick-up in automobile sales led to an advance in auto output and in industrial production, despite a cutback in steel output. Housing starts moved up sharply during March and April from depressed first quarter rates. And construction activity heightened in April as new construction increased seasonally. The uptrend in business outlays for new plant and equipment also continued into April and May. This general improvement in economic activity led to increased employment and an unemployment rate holding at the $5\frac{1}{2}$ percent March level. As a result, personal income payments rose further in April to a level some 7 percent above a year earlier. Rising retail sales reflect this gain in consumer buying power and some expansion in consumer borrowing.

Cash receipts from farm marketings totaled about the same in January-April this year as a year earlier. A larger volume of marketings of livestock products and higher average crop prices so far this year about offset smaller crop marketings and lower average prices for livestock products. With a continuation in the Feed Grain Program and the new Wheat Program, Government payments through March this year were running well above a year earlier.

COMMODITY HIGHLIGHTS

Based on early April inventory of cattle and calves on feed, cattle slaughter during April-June would be down about 2 percent below the same months in 1961. Cattle prices are likely to decline seasonally during the next 2 months but not as sharply as they did a year ago.

Cash receipts from milk and cream in 1961 were a record \$4.9 billion. With present support levels, dairy farmers cash receipts from the sale of milk and cream in 1962 are likely to be lower than last year despite increased marketings.

Recent hatchery activity points to about a 5 percent reduction from 1961 in per capita broiler supplies in the second quarter. Because of the prospective cutback in output, broiler prices in April-June are likely to average somewhat higher than last year's second quarter average of 13.9 cents per pound.

Prices received by U. S. growers for shorn wool can be expected to remain relatively stable at early May levels through late June due to the continued firm mill demand. A moderate decline in prices can be expected in the last half of 1962, as mill use declines seasonally.

Cash wheat prices are at the highest levels of the marketing year to date. The price strength this year stems from the high level of exports, the smaller 1961 crop and more wheat being held in anticipation of higher prices under terms of the 1962 program.

Heavy disappearance of feed grains during 1961-62 is expected to reduce carryover into 1962-63 to around 75 million tons--10 million tons less than last year. Total disappearance during October-March was 6 percent above a year ago, with domestic use and exports reaching new record highs for the 6 month period.

Soybean crushings for the 1961-62 marketing year probably will total about 435 million bushels and exports 165 million bushels, both new records. Based on these demand estimates, carryover stocks of soybeans on October 1, 1962 will be around 55 million bushels.

The 1962 peach crop in the 9 Southern commercial peach States is expected to be substantially smaller than the large 1961 crop. Prospective production is down in all 9 States, but percentage-wise the reductions are greatest in States west of the Mississippi River, where cold weather damaged buds and bloom.

Cotton disappearance during the current season is expected to total well below last season. Increased mill consumption is not expected to offset the decline in exports.

Cigarette production in the first quarter of 1962 was $1\frac{1}{2}$ percent above a year earlier. Shipments of cigars and cigarillos were about 1 percent ahead while manufacture of smoking tobacco declined about 6 percent from the January-March 1961 level.

GENERAL AGRICULTURAL SITUATION

Cash receipts from farm marketings in January-April remained about the same as a year earlier as both prices and the volume of marketings averaged about the same as in the first 4 months of last year. The prices farmers pay for production items held relatively steady during the first third of 1962 at about the levels of a year earlier, but in April the production index edged up slightly from March. Interest charges per acre, taxes and seasonally adjusted farm wage rates so far in 1962 averaged above a year earlier--wage rates up 3 percent and taxes and interest charges up 6 percent.

Cash Receipts From Farm Marketings
Unchanged From April 1961

During the period January through April 1962 cash receipts from farm marketings were about unchanged as returns from both livestock and crops held steady around year-earlier levels. In the livestock group, receipts from meat animals and dairy marketings were the same as last year. Cash receipts from poultry and egg marketings, however, were off nearly 8 percent. Despite substantial increases in cash receipts for cotton, oil-bearing crops, and vegetables, the reductions in food and feed grains, fruit, and tobacco were offsetting, resulting in virtually no change in crop cash receipts. Preliminary estimates of cash receipts for April were about the same as a year ago. Livestock receipts were higher, but cash returns from crop marketings were down nearly a tenth. Individual items in the livestock group showed small changes from April 1961.

Farm Product Prices Down
Slightly in April

The index of Prices Received by Farmers dropped 2 points during the month ended in mid-April, to 242 percent of its 1910-14 average. Largely responsible for the decline were lower average prices for livestock products. A small increase in crop prices, pressured mainly by a sharp rise in cotton was partly offsetting. Despite the decrease, the index was 1 percent above the 239 level of April 1961.

Although the overall March to April change was slight, amounting to less than 1 percent, significant declines occurred in prices of dairy products and poultry and eggs, which were each off 5 percent from month earlier levels. Meat animal prices eased 1 percent with hog prices off about 4 percent in response to seasonally larger marketings. Lower prices for hogs this year, down 8 percent in April from a year earlier, is attributed to larger marketings from increased fall farrowings.

The April 1 reduction in price support levels was the major reason that dairy prices fell $2\frac{1}{2}$ percent below last year's level. A seasonally increasing output of poultry and eggs between March and April has resulted in price declines of 1.5 cents for both broilers and eggs. This brought broiler prices slightly under year-earlier levels, and egg prices down to their lowest level for the month of April since 1959.

Crop prices, continuing their increase since last fall, rose slightly from March to April moving to a level 4 percent higher than a year ago. Cotton exhibited the sharpest rise in the April crop price index, increasing 8 percent over the month to the highest April level in 6 years. Mainly responsible for the increase was a sales shift from lower quality current ginnings to cotton redeemed from CCC. Food and feed grains were up slightly in April, and were substantially above year ago levels. Oil-bearing crops advanced slightly over the month but were down a tenth from last year. Prices received by growers of fruit and commercial vegetables each fell 3 percent during the month, reflecting moderate reductions in fresh market prices.

Parity Index Rises Slightly

The Index of Prices Paid by Farmers for Commodities and Services, Interest, Taxes, and Farm Wage Rates rose fractionally during April, to a level slightly more than 1 percent above a year earlier. Most items remained relatively steady with family living items, already at a record level, unchanged over the past few months. However, the prices of production items in April averaged slightly above March and a year earlier. Leading the advance in production items was a 3 percent price rise for feeder and stocker cattle, reflecting usual seasonal demand patterns. A modest increase was reported for feed, with motor supplies registering a small decline from last year. Wage rates, seasonally adjusted, also rose perceptibly during the first quarter, advancing 2 percent from the previous quarter and nearly 3 percent over last April.

As a result of the decline in farm product prices from the March level, and with prices paid up slightly, the parity ratio fell a point to 79, identical to the ratio a year ago. So far this year the ratio has hovered around 80, about unchanged from the average level during the past several years.

1962 Marketings About Unchanged From Year Ago Levels

Opposite movements in marketings of livestock and crops resulted in about the same total volume of marketings during the first quarter of 1962 as in the comparable period a year ago.

The weekly rate of slaughter dropped from March to April for cattle and hogs but held about the same for sheep and lambs. According to producers breeding intentions, hog slaughter for the remainder of this year will exceed year-earlier slaughter by a narrower margin than during the first quarter. Supplies of fed cattle for the late spring-early summer period are somewhat smaller than last year despite a 1 percent increase in the number of cattle and calves on feed in the 26 major feeding States. A larger proportion of this April 1 inventory is comprised of lighter cattle which will not be finished for slaughter until later in the year. Broiler marketings in April were up somewhat over the previous month while the rate of egg production in April, slightly higher than in March, moved 2 percent above last year's level. Output is now near its seasonal peak.

Milk production in April was about 1 percent above the year-earlier level, a lower percentage increase than the 2 percent gain in the first quarter of 1962. The drop in price support levels may cause farmers to reduce feeding rates and cull herds more heavily than in 1961 through the remainder of this year. As a result, total 1962 milk production could be less than indicated by production gains for January-April.

Latest estimates of winter wheat production point to a crop some 17 percent less than last year. Coupled with present spring wheat indications this could result in a 1962 wheat crop around 12 percent smaller than 1961. Soybean crushings in 1962 are expected to be almost 10 percent above last year, mainly reflecting the larger crop and a continued strong foreign and domestic demand for soybean oil and meal. Marketings of most fruits in season are increasing, particularly fresh strawberries from the early spring States, and remaining supplies of 1961-62-crop oranges in Florida. Fresh vegetables supplies are substantially smaller this spring than last--down about 10 percent, although supplies of spring sweet corn and spring carrots are up materially.

Marketing Charges Unchanged in First Quarter

The farm-retail price spread--the difference between the retail cost and farm value--or marketing charges for a "market basket" of food held steady from the fourth quarter of 1961 to the first quarter of 1962. It showed no change from last year's first quarter.

The retail cost of the "market basket" of farm foods was up a little more than 1 percent in the first 3 months this year from the 1961 fourth quarter average, but was slightly less than the first quarter a year ago. Further, the farmer's share of the consumer's retail food dollar, at 39 percent, remained about unchanged from a year earlier.

Food Expenditures Up More
Than 4 Percent From 1961
First Quarter

Consumer expenditures for food in the opening quarter of 1962 totaled about 2 percent higher than the last 3 months of 1961, but were somewhat over 4 percent higher than a year earlier. Prices of foods at urban retail stores were up some from the end of 1961, but averaged about the same as in January-March a year ago. Most of the sales gain reflected population growth and more marketing and processing services.

With rising incomes, food expenditures in 1962 may total 3 to 4 percent above 1961. This would result in an increase over the \$392 per capita spent last year of nearly $1\frac{1}{2}$ percent. However, increased marketing services, shifts to higher valued foods, and possibly higher retail food prices may absorb much of the added per capita outlays.

FACTORS AFFECTING DEMAND
FOR FARM PRODUCTS

Economic conditions continued to improve through April as purchases by business, the consumer and government expanded further. Leading the advance were further increases in business investment, a pick-up in retail sales and a rise in industrial production and construction activity. Increases in employment and weekly earnings led to a further gain in personal income payments.

Auto Output Up Sharply

The index of industrial production during April showed a 1 point increase to 117 (1957=100), seasonally adjusted, as auto output spurted to a near record rate in response to expanded sales. Steel production, on the other hand, was down $5\frac{1}{2}$ percent, as reduced orders curtailed industry operating rates. The decline in new orders for steel probably reflects the fact that many steel users previously built up stocks in anticipation of a steel strike which never materialized. Steel was the only major item in the production index which declined. Almost all other durable and nondurable goods industries reported advances during the month.

Employment Rises Seasonally in April

As a result of increased overall industrial production, total employment rose about seasonally in April to 66.8 million. The number of workers on nonfarm payrolls was up as manufacturing industries quickened their output, and with improved weather conditions, construction activity heightened. The total increase of nonfarm employees amounted to 1.2 million over April 1961 as the economy emerged from recession level operations. In the farm sector, employment rose less than seasonally, but at 5.0 million in April, agricultural employment was unchanged from a year ago.

The April unemployment rate, after seasonal adjustment, remained unchanged from the March level of 5.5 percent. This compares with 6.9 percent last April. Although the rate of unemployment failed to show any change over the month, the number of unemployed persons fell seasonally to 3.9 million--a decrease of about 400,000. Almost all the decline occurred in the category of persons jobless for less than 15 weeks. Long-term unemployment (15 weeks and over) was unchanged during the month.

Table 1.--Employment and unemployment, April 1961
and 1962 with percentage change

(Seasonally adjusted)					
Item	Unit	April 1961	April 1962	Percent change	
Total employment	Million	66.4	67.5	1.7	
Nonfarm employment	Million	61.1	62.2	1.8	
Unemployment	Million	5.0	4.3	-14.0	
Average duration	Weeks	17.5	16.9	- 3.4	
15 weeks or longer	Million	1.6	1.1	-31.2	
Average weekly hours ^{1/}	Hours	39.7	40.8	2.8	

^{1/} Production workers on manufacturing payrolls.

U. S. Department of Labor

More Families Get Larger Incomes in 1961

According to a report recently released by the Commerce Department, total personal income payments to families and unattached individuals rose to \$397 billion in 1961--a gain of \$13½ billion or 3½ percent over 1960. This increase was somewhat less than the 1959 to 1960 change. Although the number of families increased by one-half million during the year, average family income moved to over \$7,000. The largest percentage of families had incomes in the \$4,000-\$6,000 range or a modal income of \$4,660. One-half of the families had incomes above, and one-half had incomes below \$5,720.

The year's rise, on the average, amounted to \$200 per consumer unit. After adjustment for changes in purchasing power due to price changes, the per unit increase was a little less than half as much. In the last 10 years, though, average real income per consumer unit has gone up more than a fifth.

On a real income basis little change in the relative distribution of income has occurred since 1958, although a smaller percentage of families had incomes under \$2,000. However, since 1947, there has been a decline of 7 percent in the number of families with incomes of less than \$2,000. The percentage of families earning incomes in excess of \$10,000 nearly doubled during this period while those earning incomes between \$6,000-\$10,000 also increased substantially.

Personal Income Up in April

Increased output and employment led to a $\frac{1}{2}$ percent rise in personal income in April over the preceding month. At a seasonally adjusted annual rate of \$439 billion, total income was 7 percent higher than a year ago. Nearly all of the increase from March resulted from larger wage and salary disbursements, the bulk of which occurred in commodity producing industries. Wages and salaries in manufacturing were up \$1.4 billion from March, as the average work-week lengthened to 40.8 hours and the number of job holders increased. Government income payments were up a little as were those in distributive and service industries. Other income components exhibited small changes.

Sales Advance Further in March and April

Manufacturers' sales advanced in March, the latest month for which figures are available, for the second consecutive month after the January dip. The rise of about 1 percent set a new sales record and stood more than a tenth above last year's level. Providing the impetus for the rise, were strong gains by motor vehicles and fabricated metals in the durable goods industries. Non-durable goods industries, on the other hand, sold only a little more over the

Table 2.--Manufacturers' sales, new orders, unfilled orders and stock-sales ratio, seasonally adjusted

Item	Unit	Mar. 1961	1962			Percent change Mar. 1962 from Mar. 1961
			Jan.	Feb.	Mar.	
Sales	: Bil. dol. :	29.6	32.0	32.8	33.2	12.2
New orders	: Bil. dol. :	29.8	32.9	33.1	32.8	10.1
Unfilled orders <u>1/</u>	: Bil. dol. :	45.6	49.0	49.5	48.9	7.2
Inventories	: Bil. dol. :	53.3	55.7	56.2	56.6	6.2
Stock-sales	: Ratio :	1.80	1.74	1.71	1.70	-5.6

1/ Not seasonally adjusted.

Department of Commerce.

month, with most firm's sales averaging close to February levels. However, reflecting the rise in business activity over last year's recession levels, sales of nondurables were 7 percent above a year ago.

New orders placed with manufacturers declined in March along with the backlog of unfilled orders. Despite these decreases, manufacturers continued their inventory buildup to a level of \$56.6 billion, an increase of about \$ $\frac{1}{2}$ billion over the month.

Total retail sales continued upward through April. On a seasonally adjusted basis, retail sales in April were 1 percent above March. For January-April they were 7 percent above a year ago. Most of the March to April rise was in sales of durable goods. With rising incomes and adequate consumer credit, consumers quickened their spring purchases of autos, furniture, and household appliances. Among the nondurables, food sales and apparel purchases were also up during the month.

Business Investment Plans Revised

Domestic industries now plan to invest a record \$38 billion in new plant and equipment this year according to a recent survey by McGraw-Hill conducted in March and early April. If these intentions are carried out, the increased capital spending would amount to 11 percent more than last year's expenditures. This later private survey indicates an upward revision in capital spending plans by business. The earlier SEC-Commerce survey showed an increase of 8 percent in capital investment over 1961.

The revised spending plans apparently reflect recent gains in sales and profits. Almost all of the business firms surveyed expect to be able to finance their intended investment from internal funds, as they look for a 14 percent rise in their cash flow (retained earnings plus allowances for depreciation). This method of financing new investment would also tend to limit upward pressures on the money market.

Construction Activity Heightens

New construction put in place totaled \$57.5 billion at a seasonally adjusted annual rate in April and showed virtually no change from March levels. However, the April rate represents a 3 $\frac{1}{2}$ percent rise over a year ago. During the month, private construction was up nearly 3 percent from March while construction activity in the public sector was off about 5 percent.

Housing starts, after rising sharply to a seasonally adjusted total of 1.4 million units in March, rose to 1.5 million in April. More favorable weather conditions, and continued relatively easy credit apparently accounted for the spurt in starts during the March-April period. As an added indication of continued high construction activity, construction contracts reached record proportions in March, fully one-quarter greater than a year ago.

CURRENT COMMODITY SITUATION

LIVESTOCK AND LIVESTOCK PRODUCTS

Meat Animals

Total red meat production in the first quarter of 1962 was 4 percent larger than a year earlier. In the second quarter it is expected to be down about 4 percent from the preceding quarter and about 1 percent below the second quarter of 1961.

Beef production was up 3 percent the first quarter of 1962. During the second quarter, it is expected to be about equal to first quarter production but down about 4 percent from a year ago because of lower slaughter rates and lighter dressed weights.

Based on the April 1 inventory of cattle and calves on feed, federally inspected slaughter during April-June would be about 4,950,000 head--about 2 percent below the same months in 1961. To achieve this level, weekly federally inspected slaughter would have to average about 381,000 head. So far, slaughter has been at the rate of about 370,000 head per week. Although slaughter likely will pick up from present levels during the next 4-6 weeks, it probably will continue below year-earlier slaughter.

Cattle prices have passed their high for the year and likely will decline gradually the next two months but are not expected to break as sharply as they did a year ago. Choice slaughter steers at Chicago have been above year-earlier levels since mid-February and the margin has continued to widen with prices at mid-May about \$3.00 over what they were a year earlier.

Pork production was 5 percent higher in the first quarter of this year than last. Although pork output will decrease seasonally during April-June, it will remain above a year ago. Weekly slaughter of federally inspected hogs through April and the first two weeks in May has been averaging about 8 percent above the same weeks last year. Most of the gain in last fall's 4 percent larger pig crop was in the first half of the fall farrowing season. Therefore, the seasonal decline in slaughter is expected to be more pronounced than last year with weekly slaughter rates approaching those of a year ago by early summer.

The average price paid for slaughter barrows and gilts at 8 central markets in early May was \$15.50 per 100 pounds, about \$.80 below a year ago. Prices are expected to improve in late May and likely will continue to rise through mid-year as supplies are further reduced.

Lamb and mutton production during the first quarter this year was equal to last year's first quarter. Second quarter production is expected to be considerably below 1961. Sheep and lamb slaughter (FI) on a weekly basis dropped below year-earlier levels in mid-March and has continued under since. April rates this year ran about 9 percent below and this trend has continued thus far in May. The spring lamb marketing season is in full swing; mid-May prices are significantly above last year, reflecting the end of the supply of old crop lambs and a reduced supply of spring lambs coming to slaughter.

Dairy Products

Total civilian consumption of milk in all forms in 1961 was 115.5 billion pounds of milk equivalent (fat solids basis), down 0.4 billion pounds from 1960. Most of the decline occurred in fluid milk and cream. Without distribution of CCC supplies of dairy products in domestic welfare and School Lunch Programs, civilian consumption would have been down 1.7 billion pounds. Total civilian consumption of solids-not-fat which had shown annual gains during the previous decade also was down slightly in 1961.

Sales of milk for fluid uses in comparable Federal order markets in February were 1.1 percent above a year earlier. This increase, however, is considerably less than the 1.7 percent average annual increase in population in the United States. Indications are for lower per capita consumption of fluid milk and cream in 1962 than in 1961. Per capita consumption of milk in all forms was expected to decline again in 1962, but aggregate consumption is expected to increase as a result of population growth and increases in CCC donations of butter, cheese, and nonfat dry milk.

Milk production in April was 11,340 million pounds, 1.2 percent above a year earlier. The rate of increase in milk production has slowed since December 1961 but indications are that milk production will be a record in 1962. First quarter production of principal manufactured dairy products in 1962 was about 7 percent above a year earlier. Butter was up 15 percent, nonfat dry milk was up 18 percent, and ice cream increased 1 percent. However, cheese production was down about 4 percent and evaporated milk production was down 15 percent.

Most of the increase over 1961 in milk marketings is being channeled into butter and nonfat dry milk. During the first 4 months of 1962, CCC bought 196.7 million pounds of butter and took delivery on 98.0 million pounds of cheese and 534.0 million pounds of nonfat dry milk as compared with 100.4 million pounds of butter, 1.2 million pounds of cheese and 316.3 million pounds of nonfat a year earlier.

Stocks of manufactured dairy products and cream/increased in March and were equivalent to 10.6 billion pounds of milk at the end of the month as compared with 9.9 billion pounds at the end of February and 5.6 billion pounds a year earlier. The increase over last year's total stocks is chiefly due to larger Government stocks of butter and cheese which were 4.8 billion pounds of milk equivalent over last March holdings.

The average farm price of all milk on April 15 was \$3.90 per hundred-weight, 26 cents lower than the March price. This decline reflects the 29 cent drop in the support level. In many markets, prices paid farmers for milk used for fluid purposes declined less than the drop in support prices.

Farmers' cash receipts from the sale of milk and cream in 1961 were a record \$4,911 million as compared with \$4,740 million in 1960. At present support levels, dairy farmers' cash receipts from the sale of milk and cream in 1962 are likely to be lower than in 1961, in spite of increased marketings.

Poultry and Eggs

Egg prices were given unusual support this year in April because the Easter and Passover holidays came about three weeks later than in 1961. This had the effect of shifting the pre-holiday demand from March to April. Now that the holiday demand has been satisfied, egg prices have weakened considerably. Price quotations for large eggs on May 15 in major markets were mostly 4-5 cents per dozen below mid-April. Prices received by U. S. producers in mid-April averaged 31.5 cents per dozen compared with 33.0 cents per dozen in March and 33.4 cents in April 1961.

The number of chickens to be raised for flock replacements in 1962 may still be down only moderately from last year, despite the 11 percent cutback from 1961 in the number of egg-type chicks hatched in the first four months. This seems probable because of the larger than year-ago hatches in prospect for June and the number of chickens that will come from the relatively large hatches of last October and November.

In the first quarter of 1962, severe weather depressed the rate of lay below a year earlier, holding egg production of a larger U. S. laying flock to 1 percent above the first quarter of 1961. This was only the second time in the last 10 years that the first quarter rate of lay had not shown a year-to-year increase. But by May 1, with the advent of more favorable weather, the rate of lay rose above the year-ago rate, boosting output on this date about 3 percent above May 1, 1961. In the second quarter, output is likely to continue to exceed that of last year by about 3 percent, and in the third quarter will probably remain higher than for the same period in 1961.

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:	The next issue of The Demand and
:	Price Situation is scheduled for
:	release June 28, 1962
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In mid-April, growers received 20.9 cents per pound for turkeys, up 2.7 cents from mid-January but 1.2 cents below a year earlier. From mid-April to mid-May, however, price quotations for live turkeys in major markets declined. The expectation continues for only a moderate improvement in prices to producers in September-December over the extremely depressed 18.0 cents per pound average that prevailed during this period in 1961. Prices in the last 4 months of 1962 are likely to be significantly below the 24 cents per pound average of 1957-59.

Only a moderate improvement in prices is likely because turkey consumption in September-December is likely to be down from 1961 by about 5 to 10 percent, despite a somewhat larger reduction in turkey production. The smaller crop in 1962 is being supplemented by a large quantity of turkey moving out of cold storage as inventories are reduced. Last year, consumption did not increase as much as production and part of the then current output was absorbed by the buildup in frozen turkey stocks.

In 1961 the government purchased 4 percent of production or 60 million pounds of ready-to-cook turkey for the School Lunch Program, compared with only 19 million pounds in 1960.

Substantially fewer turkeys will be raised this year than in 1961. In the 10 months ending in May, the number of poults hatched was indicated to be down about 18 million head or 19 percent from the same period a year ago. Even if the June and July hatches are significantly greater than in 1961, the number of poults that will be available for 1962 turkey production will probably be down by somewhat more than the 12 percent reduction in output planned by producers as of January 1.

On April 5, the Secretary of Agriculture announced a referendum of turkey growers to be held June 18 through June 22 on the proposed national marketing order for turkeys. The issuance of an order is contingent upon approval by at least two-thirds of those voting in the referendum, by number of by volume of production, before it can be made effective. If approved, the order would be binding upon all those who qualify as handlers under it.

Broiler prices to growers in January-March averaged 16.3 cents per pound, 0.6 cents less than a year earlier. During the first quarter of this year, the number of broilers slaughtered under Federal inspection was 3 percent greater than last year. However, recent hatchery activity points to about a 5 percent reduction from 1961 in per capita supplies in the second quarter. Despite the prospective cutback in broiler output, prices in April-June may average only a little higher than last year's second quarter average of 13.9 cents per pound. The U. S. average price received for broilers dropped to 14.8 cents per pound in April, from 16.3 cents in March. The April price was about the same as a year ago. Since mid-April, prices in Southern producing areas at the farm have continued to approximate the 1961 level; on May 15 they averaged 13 cents per pound.

Wool

Prices received by U. S. growers for shorn wool can be expected to remain relatively stable at early-May levels through late-June due to the continued firm mill demand for wool. A moderate decline in prices can be expected the second half of 1962, as mill use declines seasonally. The mid-April average price received by growers was 45.0 cents per pound, grease basis, 5 percent above the 42.7 cents in March and 9 percent above the 41.1 cents in April 1961.

Commercial stocks of raw wool on January 1, 1962, as reported by the Bureau of the Census, amounted to 132.1 million pounds, scoured basis, approximately the same as a year earlier. Apparel wool stocks totaled 87.6 million pounds, 4 percent less than a year ago. Stocks of carpet wool were 44.5 million pounds, 9 percent more than on January 1, 1961, but 11 percent less than on October 1, 1961.

At the seasonally adjusted rates of the first 3 months of 1962, U. S. mill use of apparel wool in 1962 can be expected to total about 300 million pounds, scoured basis, compared with 263 million in 1961. This substantial rise in mill use is likely as consumer incomes are expected to increase, unfilled orders of apparel fabric are high, and the ratio of stocks to unfilled orders of finished goods is stable. However, if mill use declines more than seasonally during the second half of 1962, the year's total is likely to be about 280 to 285 million pounds. Mill use of apparel wool during the first 3 months of 1962 amounted to 71.9 million pounds, scoured basis, 25 percent more than the comparable period of 1961.

During the first 3 months of 1962, mill use of carpet wool totaled 36.6 million pounds, scoured basis, 3 percent more than in the same period of 1961. Although this use is above a year ago, carpet wool mill consumption in 1962, at the seasonally adjusted rate of the first 3 months, can be expected to amount to 140 million pounds, scoured basis, compared with 147 million in 1961.

Total per capita domestic consumption of wool, cotton, and manmade fibers in 1961 was 35.7 pounds, 2 percent less than in 1960 and 3 percent below the 1955-59 average. Per capita domestic consumption of wool in 1961 was 2.90 pounds, 2 percent less than 1960 but 2 percent above the 1955-59 average. The import balance of foreign trade in wool products in 1961 accounted for 23 percent of the per person domestic use of wool. Domestic use of apparel wool totaled 1.95 pounds, 3 percent more than 1960. The import balance of foreign trade in apparel products accounted for 27 percent of domestic consumption of apparel wool. Carpet wool domestic use per person in 1961 was 0.95 of a pound, 10 percent less than 1960. The import balance of foreign trade was 16 percent of the per person use of carpet wool.

Monthly imports of dutiable raw wool during the early months of 1962 have been substantially above those of a year earlier and the largest since the first 5 months of 1956. As mill use increased in late 1961 stocks of

apparel wool were worked down, resulting in the need to rebuild them. During the first quarter of 1962, imports of dutiable wool totaled 37.3 million pounds, clean content, 60 percent greater than the same quarter a year ago and the highest since the first quarter of 1956.

Reflecting the lower mill use of carpet wool and the working down of commercial stocks held by dealers and spinners of carpet yarns, imports of duty-free wool declined to 32.8 million pounds, clean content, during the first quarter of 1962, 19 percent less than the first 3 months of 1961. Imports of duty-free wool grading 40's to 46's increased substantially during the first quarter of 1962.

CROPS

Wheat

Exports of wheat, including products, in 1961-62 are expected to total 685 million bushels --an all-time record and 23 million bushels above the previous record last year. With domestic use estimated at about 590 million bushels, total disappearance will be about 1,275 million bushels.

The total supply of wheat for the current marketing year is estimated at a record 2,655 million bushels. It consists of a carryover of 1,412 million, a crop of 1,235 million and imports of about 8 million, mostly of feeding quality and seed wheat. On the basis of these figures, the carryover July 1, 1962 would total 1,380 million bushels, a drop of 32 million from last year's carryover.

The 1962-winter wheat crop was estimated, as of May 1, at 891 million bushels. This estimate is 30 million bushels below that indicated in April, 17 percent below the large 1961 crop, but 2 percent above the 1951-60 average. A spring wheat crop of 195 million bushels could be produced if growers seed 10.5 million acres and if yields per seeded acre about equal the 1957-61 average, by States, of 18.3 bushels. Total wheat production for 1962 would be about 1,086 million bushels --12 percent below a year earlier and 4 percent below the 1951-60 average.

The final outturn of the 1962 crop will be affected by the decisions of growers relative to participation in the 1962 Wheat Program. About 15.1 million acres were reported as signed for diversion. This is 27 percent of the 1961 wheat seedings of 55.6 million acres and 33 percent of the 45.3 million program acres on signed farms. The extent of diversion will depend to a considerable extent upon the weather, since farmers do not have to make final disposition on compliance until about 30 days prior to the normal harvest period in their area. While the program permits the grower to divert as much acreage as he had agreed to divert, it does not require that the diversion exceed 10 percent of the acreage.

With an estimated carryover July 1, 1962 of 1,380 million bushels and the usual small imports added to the projected 1962 production, total supply for 1962-63 would be about 2,475 million bushels. Domestic disappearance is

estimated at about 590 million bushels and exports at about 620 million. This would leave a carryover on July 1, 1963, of about 1,265 million bushels, down around 115 million bushels from a year earlier.

Cash wheat prices are generally at the highest levels of the marketing year to date. On May 17, they were above 1961-crop support levels as follows: No. 2 Hard Red Winter ordinary protein, at Kansas City at \$2.16, 8 cents; No. 2 Soft Red Winter at St. Louis at \$2.18, 10 cents; No. 1 Soft White at Portland at \$2.16, 17 cents; No. 1 Dark Northern Spring, ordinary protein, at Minneapolis at \$2.35, 19 cents; and No. 2 Hard Amber Durum at Minneapolis at \$2.98, 73 cents.

The price strength this year stems from the high level of exports, the smaller 1961 crop, particularly of hard red spring and durum, and more wheat being held in anticipation of higher prices as the result of the 1962 program.

Feed Grains

Heavy disappearance of feed grains during 1961-62 is expected to reduce carryover into 1962-63 to around 75 million tons, 10 million less than a year earlier. Total disappearance during October-March was 6 percent above a year earlier, with both domestic use and exports reaching new record highs for the 6 month period. Disappearance of feed grains is expected to continue heavy in the last half of 1961-62. The total tonnage of feed concentrates fed to livestock in 1961-62 probably will be around 4 or 5 million tons above the 1960-61 level, with the rate of feeding per animal unit at least equaling last year's record. The total exports of feed grains is expected to reach a new record high of around 14 million tons, 1.7 million more than last year.

The heavy sign-up under the 1962 Feed Grain Program indicates that farmers may have adjusted their feed grain acreage plans downward since the March 1 intentions report. Farmers have signed up to divert 22.9 million acres of corn, 6.7 million of sorghum, and 3.1 million acres of barley to soil conserving uses. The combined acreage of corn and sorghum grain was 10 percent above the acreage farmers signed up as intended for diversion in 1961. Farmers actually diverted about 94 percent of the acreage signed up last year.

Total utilization of corn in 1961-62 is expected to exceed 3.9 billion bushels, reducing carryover next October 1, to around 1.7 billion. Total disappearance of the other 3 feed grains is running a little below the 1960-61 level. Carryover of sorghum grain into 1962-63 is expected to be about the same as in 1961-62, but a 15 percent reduction is in prospect for both oats and barley.

Feed grain prices increased 1 percent from March to April continuing the slight upward trend that began last fall. Prices received by farmers for feed grains in April averaged 7 percent higher than a year earlier and

4 percent higher than last November. Monthly average corn prices ranged from 95 to 99 cents per bushel during January-April, slightly lower than a year earlier. Prices of other feed grains have been 10 to 20 percent above a year earlier in early 1962. Corn prices continue much lower than average in relation to oats and barley and moderately lower than sorghum grain.

The total tonnage of high-protein feeds available for feeding in 1961-62 is expected to reach a new record high, a little above 1960-61 both in total and per animal unit. Domestic use of oilseed meals was 4 percent higher in October-March this year than last and probably will continue higher during April-September. Prices of high-protein feeds in April averaged 7 percent lower than a year earlier. Protein feed prices have been comparatively stable so far during 1961-62 in contrast to sharply advancing prices in the first half of 1960-61. Prices this spring and summer may continue below the seasonally high level reached in that period of 1961.

The total quantity of 1961 feed grains placed under Government price support may about equal the record 25 million tons for 1960-61. The very heavy CCC sales of corn and sorghum grain this year, however, are expected to result in a net reduction of around 10 million tons in stocks owned by CCC or under loan at the end of the 1961-62 marketing year.

Oilseeds, Fats and Oils

Prices to farmers for 1961-crop soybeans have moved up rather steadily from \$2.20 per bushel last October to \$2.38 per bushel in April. Last year, during these same months, prices rose sharply from \$1.94 to \$3.02 per bushel. Soybean prices this summer are expected to continue fairly stable, averaging around the CCC resale price (16.5 cents above the \$2.30 support rate), but sharply below last year. Soybean supplies during June-September this year will be record large and demand will continue stronger.

Soybean crushings for the 1961-62 marketing year probably will total about 435 million bushels and exports 165 million bushels, both new records. Based on these demand estimates, carryover stocks of soybeans on October 1, 1962 will be around 55 million bushels (equivalent to one month's requirement for crush and export) compared with the very small carryover of 6 million bushels a year earlier.

Lard production (including farm) for the 1961-62 marketing year is now placed at 2,535 million pounds, up 2 percent from the previous year. Hog slaughter and yield of lard per hog killed in the first half of the season were not as large as expected. Domestic disappearance of lard is estimated at 2,100 million pounds compared with 1,968 million in 1960-61. The increase will reflect increased consumption of lard in shortening manufacture as lard prices remain relatively low compared to competitive soybean and cottonseed oils.

Exports and shipments of lard during 1961-62 are estimated at 450 million pounds, down about 12 percent from 1960-61, as increased exports to the United Kingdom fail to offset the loss of the Cuban market.

Lard prices (tanks, loose, Chicago) have remained fairly stable this marketing year, the monthly average varying between 8.3 and 8.8 cents per pound. For the entire October-April 1961-62 period, they averaged 8.5 cents per pound compared with 10.7 cents the same months of 1960-61.

Fruit

Grower prices for apples and oranges averaged somewhat lower in early May than a year earlier, a result of heavier supplies. But prices for pears and grapefruit, of which supplies are down, averaged higher.

The 1962 peach crop in the 9 Southern commercial peach States is expected to be considerably smaller than the large 1961 crop but substantially larger than the 1951-60 average. Prospective production is down in all 9 States, but percentage-wise the reductions are greatest in States west of the Mississippi River, where winter cold damaged buds and bloom. Above-average crops are expected in North Carolina, South Carolina, Georgia and Alabama. The May 1 condition of the California peach crop was down slightly this year from last, but well above average. Fresh market movement of peaches is expected to start in late May from California and in early June from the Southern States, somewhat later than last year. More sweet cherries but fewer apricots and plums are expected in California than in 1961.

The 1962 commercial strawberry crop is expected to total 504 million pounds, 2 percent smaller than the large 1961 crop but 8 percent above average. Reductions in California, Washington, Tennessee and a number of other States more than offset increases in still other States, especially Oregon, Michigan, and Louisiana. Shipping point prices for fresh market strawberries in recent weeks have varied around year-earlier levels.

With increased maturity of the Florida Valencia orange crop, movement to processors gained rapidly during late April and early May. By May 12 of the 1961-62 season, total movement of Florida oranges was about 17 percent larger than comparable movement in 1960-61; movement to fresh markets was up 19 percent. Remaining supplies, now entirely Valencias, were up 34 percent. The Florida Valencia crop is about 32 percent above the 1960-61 crop. Grower prices continue much below year-earlier levels. In contrast in California, the new Valencia crop is down 12.5 percent, and prices in recent weeks have varied around comparable 1960-61 prices. In Florida, the principal source of grapefruit in spring, remaining supplies are about the same as a year earlier. Prices for the pink seedless continue above year-earlier levels, those for white seedless recently were about the same as a year ago.

Weekly output of Florida frozen orange concentrate was running in seasonally large volume in early May. The 1961-62 pack to May 5 was about 75 million gallons, 21 percent above a year earlier. Movement from processors to the trade was up 18 percent but not enough to hold stocks down, which accumulated to a volume 27 percent above a year earlier. Similarly, output of most Florida canned single-strength citrus juices also was up, as were movement and stocks.

Movement from canners to the trade of 9 items of canned deciduous fruits combined from the record 1961-62 pack was about 12 percent larger to April 1 than comparable movement in 1960-61. As a result, canners' stocks on April 1, 1962, were only were 3 percent above a year earlier. Cold-storage stocks of frozen deciduous fruits and berries on May 1, 1962, were up about 10 percent.

Commercial Vegetables

Fresh.--Indicated production of vegetables for fresh market sales, excluding melons, is almost a tenth smaller this spring than both last spring and the 1951-60 average. The reduction from last year resulted from a sharp cutback in early spring crops. Thus, supplies during the remaining weeks of spring probably will be only moderately smaller than a year earlier. Among the more important items, spring production of sweet corn, and carrots are materially larger than those of last year and celery slightly larger. But prospective production of snap beans, broccoli, cauliflower, cucumbers, lettuce, green peppers, and tomatoes are moderately to substantially smaller than those of last year. Production of spring cantaloups is expected to be up 12 percent from last year, but the late spring watermelon crop is down about a tenth.

During the next 3 to 4 weeks, prices to growers are expected to decline seasonally, as supplies of spring vegetables increase. However, with lighter overall supplies than last spring, prices are expected to continue above year-earlier levels.

Processed.--Partly because of lighter supplies of a number of fresh items, net outmovement of both canned and frozen vegetables so far in 1962 has been significantly larger than in the same period of 1961. Nevertheless, remaining supplies of both canned and frozen vegetables appear to be materially larger than a year ago. Except for canned and frozen green peas, and canned beets, all major canned and frozen items are in ample to heavy supply. Among the major canned vegetables, heaviest supplies compared with a year ago are in snap beans, lima beans, corn, sauerkraut, and tomatoes.

Early reports indicate that processors plan acreage decreases of 1 percent for green peas, 2 percent for snap beans, sweet corn, and cucumbers for pickles, and 5 percent for contract cabbage for kraut. An increase of 9 percent in acreage of tomatoes for processing is indicated, and a 3 percent increase for beets. Near average yields on the intended acreage together with expected carryover stocks would result in a little larger aggregate supply of canned vegetables from mid-1962 to mid-1963 than in the current season, and at least as large a supply of frozen vegetables.

Potatoes

Supplies of potatoes from mid-May through June are expected to be somewhat smaller than the burdensome supplies of a year ago. Although some storage potatoes from the fall crop will be available into July, the bulk of market supplies after mid-May will come from this year's crop. Indicated production for late spring harvest, at 21 million hundredweight, is 25 per-

cent below the large crop of last year, and 12 percent below the recent 10-year average. With the sharp cut in production, prices to growers for the late spring crop are likely to average materially above the low levels of a year earlier.

Cotton

Disappearance of cotton during the current season is expected to total well below last season. The decline is likely because the increase in mill consumption is not expected to offset the decline in exports. Mill consumption of cotton during the current season is above a year earlier, primarily because of a higher level of economic activity this season compared with last season. The expected decline in cotton exports is primarily a reflection of a working down of stocks in the foreign free world.

Registrations of cotton for export under the payment-in-kind program through May 11 totaled 4.2 million bales, compared with 6.2 million bales for the same period during 1960-61. Also, registrations of cotton under the 1962-63 payment-in-kind program, to be shipped after August 1, 1962, totaled about 102 thousand bales through May 11, 1962. The announced export payment rate for the 1962-63 season is 8.5 cents per pound, same as the current rate.

The 1961 cotton crop of about 14,325,000 running bales was produced on 16,588,000 planted acres at an average yield of 413 pounds per acre. This compares with the 1960 crop of 14,265,000 running bales, 16,080,000 planted acres, and an average yield per acre of 425 pounds. A planted acreage of 16,412,000 acres has been indicated for the 1962 crop.

Stocks of cotton held by the Commodity Credit Corporation (owned and held as collateral against outstanding price support loans) totaled about 5.3 million bales as of May 4. Stocks of cotton held by CCC on this date a year earlier totaled about 2.5 million bales. By the end of the 1960-61 season CCC stocks were reduced to the lowest level since 1952. This shift of cotton from CCC to commercial holdings reflected anticipated higher prices for cotton during the 1961-62 season. For the 1962-63 season, the minimum national average support price to producers is the same for the 1962-crop upland cotton as it was for the 1961 crop (31.88 cents per pound).

The average 14 spot market price for Middling 1-inch cotton in April was 33.85 cents per pound, up from 33.75 cents per pound in March and 31.41 cents per pound in April 1961. There has been an upward trend in spot market prices since January 1961. The average price received by farmers for upland cotton in April at 31.75 cents per pound was about 2.40 cents per pound above a month earlier. This increase in price reflects the larger proportion of

cotton sales represented by cotton redeemed from the loan compared with a month earlier when sales of low quality from current ginnings were of relatively greater importance.

The average price received by farmers for all kinds of cotton from the 1961 crop to April 1, 1962, was 32.8 cents per pound. This compares with 30.2 cents per pound for the 1960 crop and, with the exception of 1958, is the highest average price received by farmers since 1954.

Tobacco

Sales of 1961 Maryland tobacco at the 4 auction markets began on April 24 and are scheduled to continue through July 13. Through May 16, sales totaled 13 million pounds and averaged 63.0 cents per pound, compared with 64.0 cents in the corresponding period a year ago. In addition, to auction sales, about 2.9 million pounds of Maryland tobacco have been received at the Baltimore hogshead market, which opened for competitive bidding on April 26. The Government support level for 1961 Maryland tobacco is 50.8 cents per pound. About 9.8 percent of market deliveries were placed under Government loan through May 16.

The 1961 Maryland crop now being marketed is estimated at 36 million pounds--about 4 percent above 1960 and the largest in 4 years. As of April 1, stocks in the hands of manufacturers and dealers totaled 53.4 million pounds (farm-sales weight)--slightly higher than a year earlier. The Government support level for the 1962 Maryland crop has been announced at 51.3 cents a pound--1 percent above the 1961 support level.

Domestic cigarette manufacture absorbs the major part of Maryland tobacco output, but use of Maryland has not kept pace with expanding cigarette production. In most recent years, approximately two-fifths of the crop has been exported. In the 6 months ending March 31, 1962, exports of Maryland tobacco were a little below those of a year earlier. Switzerland, the leading foreign market, took 31 percent more, but exports to the Netherlands, Belgium, and West Germany were smaller than in the comparable period of 1960-61.

Production of cigarettes in the first quarter of 1962 was $1\frac{1}{2}$ percent above that of a year earlier. Shipments of cigars and cigarillos from U. S. and Puerto Rican factories were ahead by about 1 percent. On the other hand, manufacture of smoking tobacco declined about 6 percent from the January-March 1961 level. Production of snuff was down a little, while that of chewing tobacco nearly equaled output a year earlier.

Exports of unmanufactured tobacco in the first quarter of 1962 at 80 million pounds (farm-sales weight) were moderately less than a year ago. Shipments of flue-cured, accounting for nearly four-fifths of the total, gained about 3 percent. However, compared with a year earlier there were declines in exports of burley, dark fire-cured and air-cured (including an allowance for the quantities shipped out in the form of Black Fat), and cigar leaf.

OFFICIAL BUSINESS

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